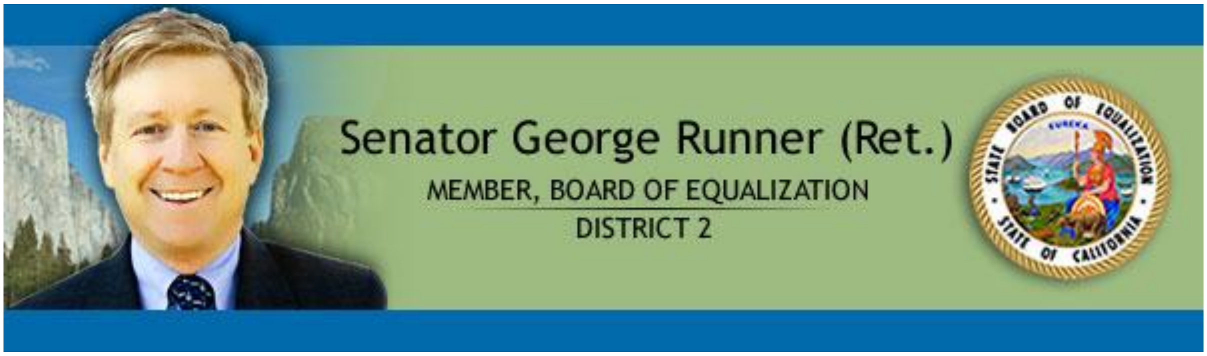

Tax Hikes Don't Level the Playing Field

By George Runner

I can think of a lot of things that might help level the playing field for California businesses. A billion dollar tax hike isn't one of them. But supporters of Speaker Perez's legislation, AB 1500, would have you believe otherwise.

In 2009, the Legislature adopted a tax cut that actually did help level the playing field for California businesses.

That change allowed companies to choose from two corporate tax formulas commonly used in other states: one based on property, payroll and sales; the other based on sales only.

Since the tax cut just became effective last year, we have yet to see its full impact. But there's no doubt it's helping many companies brave enough to do business in California.

Conversely, AB 1500 picks winners and losers. It eliminates the older property, payroll and sales formula and leaves the newer sales-only formula as the mandatory one-size-fits-all option.

Not surprisingly, the only CEOs applauding AB 1500's recent approval by the California State Assembly are the ones who won't be forced to pay higher taxes.

But that's okay, according to the bill's supporters, because the companies using the older formula don't count as California businesses since their corporate headquarters are located out-of-state.

Imagine how high California's unemployment rate would be if we drove out all "non-California" businesses—like Barnes & Noble, Home Depot, Microsoft, Starbucks, Target and Wal-Mart.

By imposing a billion dollar tax increase on "out-of-state" businesses like Chrysler, General Motors, International Paper and Kimberly-Clark, AB 1500 seems to miss the fact that these "out-of-state" companies employ thousands of middle-class Californians in good-paying jobs.

How many Californians care whether their company is headquartered inside or outside the state? Few, if any. Most are just happy to have a steady paycheck and health coverage. But if they lose their jobs as a result of this legislation, they'll start caring.

Proponents of AB 1500 claim that somehow raising taxes will create more jobs in our state. Next time someone says that, ask them to provide a specific example of a company that will create one more job in California if this bill passes.

They can't.

What's more likely is that companies faced with a higher tax bill will downsize their California-based operations, costing us jobs we can't afford to lose.

In short, AB 1500 grows government and punishes the very job creators we should be trying to attract to our state.

If Democratic lawmakers really want to level the playing field for California businesses, they could do it anytime—and they'd have plenty of Republican support.

They could start by repealing California's onerous greenhouse gas regulations, which are driving up energy costs for all Californians.

They could lower California's corporate tax rates, which are the highest in the West. They could repeal labor laws found only in California that make running a business in our state more costly than just about anywhere else on the planet.

They could also enact real regulatory reform to streamline government and reduce needless burdens on the small businesses owners who power much of our economy.

AB 1500 doesn't accomplish any of these needed reforms. In the meantime, the playing field for California businesses remains anything but level.

Elected in November 2010, George Runner represents more than nine million Californians as a member of the State Board of Equalization. For more information, visit www.boe.ca.gov/Runner.